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Media Days

JULY 7 - The *Journal de Montreal* suggests the election will likely be held September 12.

● Calling Canada the most open country in the world, a *Le Devoir* feature article says we take in a greater proportion of immigrants than either the US or Australia.

● *La Presse* front-page headline says the Nordiques' new coach wants to speak French ASAP.

● Ottawa makes a "single window" proposal to the provinces for the important manpower dossier & related areas.

● The PQ vows not to let Mont-St-Anne be sold.

JULY 6 - A column in *Le Devoir* says the PQ ideology and capacity for economic management has evolved and their "projet de société" is now really fiction. An independent Quebec would be subject to market pressures that would undo many of our social programs. (excerpts p3; copies available through AQ)

● **The Globe's Report on Business** says that German money managers are nervous about our political instability and cool on Canada.

● **The Financial Post** runs excerpts from a Montreal-based BCA report called "Canada: Case study of a debt trap" suggesting that a full-fledged investor revolt is on its way.

JULY 5 - *Le Devoir* runs two opinion pieces on its Op-Ed page: The head of the Franco-Ontarian inter-cultural association says Bouchard is lying to francophones by saying the debate is between French & English, when in fact it's between rich & poor. And an administrative consultant writes that Quebecers must not listen to "intellectual terrorists" who try to warn separatists about the future. "We must immediately cut their feet out from under them before putting them out to pasture."

(Over)

IT'S THE ECONOMY, STUPID!

On Saturday, *La Presse*'s Phillippe Dubuisson, a business feature writer, explains that Canada is small potatoes in the international trade and that our economy is not solely directed by political uncertainty:

"As the Quebec election approaches, we have to brace ourselves for a rise in the level of political rhetoric." But we don't have to listen to it all he suggests. "We need only recall February, 1986, when the Canadian dollar hit an all-time low of 69 cents US. In 1986, there wasn't a separatist in sight. Mulroney & Bouchard were on the same team [and] the

PQ were not firmly entrenched at the top of the polls."

While few reasonable people could argue that good and bad economic news exist beyond political uncertainty, we cannot allow this be used as a way of saying that the political situation in Quebec has little or no effect on the economy and therefore all economic warnings must be false (or nasty fear-mongering).

**"Until the question
of Quebec separation
is settled,
Investing in Canada
is like putting
your money
into a casino."**

**- A German
fund manager**

al rule, very wary of any political involvement. Politicians, and aspiring politicians, are anything but wary of economic predictions. So when the business people start consistently drowning out the politicians, we can assume we have a difficult situation.

On March 3, Jacques Parizeau qualified a speech he gave to 80 foreign investors at a seminar hosted by *The Economist* as "futile". Saying that they only "wished to stir-up the boogymen"

In the first week of June, **Bank of Montreal** chief economist Lloyd Atkinson gave a speech saying that a PQ government would create "a great deal of fear" in the financial markets. And that "the language" of inde-

(Over)

Seminar Planned

Ideas are being put together for a half-day seminar on the sovereigntist plans and the coming Quebec election. To focus on arguments against sovereignty, getting the message out, and dealing with the media, the free session would be open to any interested party in the AQ network. It would held at a Montreal location. Contact your local AQ person if interested.

Quebec NOTES

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Media Days

- Sault-Saint-Marie reverses its famous decision to make the town unilingual. Opposers call it a "victory" for Canadian ideals.
- The Liberals announce Montreal Catholic School Board Chairman, François Ouimet will be a "star" candidate in the riding Marquette.
- JULY 4** - A continuing series on Kingston by a **Canadian Press** reporter hammers away at the lack of French in this Ontario town. In **La Presse** the darkest of headlines to accompany the same stories that the **Journal de Montréal** presents as really quite optimistic.
- One of the founders of **Cité Libre**, dramatist Jean-Louis Roux says if the PQ win the election the province will be culturally reduced to the language of "Hi Ha Tremblay" a burlesque comic character of Quebec TV.
- Former top civil servant Tom Mulcair is reported to be a Liberal "star" candidate in Chomedey.
- **L'Actualité** publishes a grim poll on Quebec, the issue includes a look at the former Yugoslavia (see page 4).
- JULY 2 & 3 (weekend)** - Gordon Robertson (Trudeau's Privy Council Clerk) is published in both **Le Devoir** & **La Presse** in a long anti-PQ column.
- A CP article says history shows any separation needs more than a majority.
- JULY 1** - The **Journal de Montréal** publishes on Canada Day. But so does the **Globe and Mail**.
- JUNE 30** - Canada Day is celebrated across Canada and in specific locations in Quebec. Crowds in Montreal are estimated (by police again) at about 100,000. Organizers say it is the biggest ever. **Le Devoir**'s reporting of the events lists all the corporate sponsors by name who "could be counted on" for support.
- A **Le Devoir** column by Ottawa-based reporter Jean Dion writes "Despite being the best country in the world [...] the artless enthusiasm [for Canada Day] is only a good dose of blandness and indifference."

ECONOMY (cont) pendence could lead to a run on the Canadian dollar and a hike in interest rates. He was savaged by Jacques Parizeau saying Quebecers had left the Royal Bank after its 1992 report (still unpublished) on Quebec separation, urging Quebecers "Let's do the same thing." Atkinson said the whole business left a bad taste in his mouth. "All I had done is basically state the facts." "I have no intention of weighing in on politics. But as an economist, I must talk about how I see financial prospects." Both M. Bouchard and PQ candidate Richard Le Hir distanced themselves from Parizeau.

"I simply had some people remind (Wood Gundy) of the rules of the game; one of them being 'Why don't you handle the money and we will handle the politics'."

- Jacques Parizeau

Brian Neysmith, president of the **Canadian Bond Rating Service** said that the international community had awoken to Canada's political and fiscal problems and that a further five cent drop in the dollar and 2% rise in interest rates if the PQ wins the coming election. (The Gaz, June 7)

After **Wood Gundy** released a report in early June suggesting economic uncertainty, PQ candidate and a former **Caisse de dépôt** v-p, Daniel Paillé called the investment firm and warned them to back-off of lose future government business. When asked Parizeau said it was done on his orders. "I simply had some people remind (Wood Gundy) of the rules of the game; one of them being 'Why don't you handle the money and we will handle the politics'. Whenever they start to play the political game someone must step on their toes and say 'Watch out'."

The **OECD** out does all leading Canadian economists, including the federal Minister of finance by saying Canada should experience 3.9% growth (ahead of all other G7 countries). Martin only predicts 3%. Chief economist at MMS Intl. in Toronto, Andrew Pyle says "The **OECD** isn't overly optimistic. Obviously, if the Quebec election results in a huge jump in interest rates, then the forecast is not reasonable."

The Superintendent of Financial Institutions, Michael Mackenzie did not hold back in his assessment on June 7. "Mr. Parizeau has come out and said ... 'We will agree to pay the interest on the national debt - our share of it. And if you're not good boys we won't even pay that'. It sounds to me like they are saying 'We want independence, but we want the rest of Canada to pay for it'. If those are the terms of the debate, how can the rest of the country stay silent?"

On June 14 the new Chairman of the **Investment Dealers Association of Canada**, Midland Walwyn president Robert Schultz says the PQ won't keep dealers quiet. They have an obligation to comment on market-related issues.

On June 15 after Japanese investors unloaded an estimated \$2B in Canadian bonds, a Japanese embassy official commented "They cannot afford to invest in Canadian bonds, because of the Quebec problem and

"(Japanese investors) cannot afford to invest in Canadian bonds, because of the Quebec problem and the instability of the Canadian dollar. They are very, very cautious."

- A Japanese Embassy Official

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Our translation of excerpts from:

"Arguments économiques libéraux pour l'indépendance"

by Martin Masse
(Le Devoir July 6, 1994)

... The Parti Québécois saw itself as social democratic and nursed the ambition to construct a providential state involved in all areas of economic and social affairs. On the business side the rejection of sovereignty-association was almost unanimous.

Today, the context has changed almost completely. Through the 1980s the economic philosophy of the Parti Québécois has become more pragmatic. Virtually no one would suggest today the nationalization of an industry as was done with asbestos production. The fiscal signals are a little confused -- not to say worrisome when you hear Jacques Parizeau suggest that Quebec increase the tax on corporate profits to pay down the deficit. But The Péquiste support for continental free trade means it is no longer possible for them to associate with the established leftist parties like the federal NDP (or the Quebec version, if one still lives).

...

What sort of economic policy will a Péquiste government offer to straddle the old-line left wingers and its more pragmatic tendencies? It's hard to say before knowing the make up of the cabinet. One thing is clear, the the great "social projects" of more or less socialist and autocratic bent which were high in the "independantiste" agenda in the 60s and 70s are not there today. It is even possible to state a contrary proposition: that an indepen-

ECONOMY(cont.) the instability of the Canadian dollar. They are very, very cautious."

On June 17, John Craig Eaton was quoted as saying "Quebec would do no good to its economy if it were to separate. We have diverted our energies once again to an old issue, Quebec. It's hurting our economy from coast to coast."

In RBC Dominion Securities' summer issue of "Strategy" analyst Frank Hracs writes "The key obstacle to a better currency and debt market environment is the uncertainty surrounding the Quebec election and the possible subsequent referendum on sovereignty. The latter concern would appear to be the essential focus of Canadian financial market participants."

Kip Beckman, an economist with The Conference Board of Canada writing on potentially tough currency choices in the separatists Quebec: "Economists have pointed out recently that residents of Quebec may have to come to grips with the fact that their life savings could be redenominated from the familiar Canadian dollar to a new and much weaker currency." [...] "a common currency was initially agreed to in the negotiations leading to the breakup of Czechoslovakia into two countries last year. However, the plan was abandoned because Slovakia, the weaker country, was forced to adopt its own currency because of the capital outflow that greeted the creation of two separate countries."

On July 6 German fund managers explain why German (who hold roughly \$27B in Canadian securities) are dramatically reducing their holdings. "Until the question of Quebec separation is settled, investing in Canada is like putting your money into a casino," says one.

dent Quebec would probably be more likely to develop a liberal economic policy than would the present system of government.

For example, a Quebec state that became sovereign would not have the luxury of continuing the semi-protectionist policies that now favour local products, or of maintaining the discriminatory aspects of its labour statutes, of offering preferential energy charges to corporations that set up operations here, or subsidizing its agriculture and industry as is done at present. Such practices are tolerated now in the international commercial accords because Quebec is just a province. But the rules would now more strict for a nation state.

"[...] residents of Quebec may have to come to grips with the fact that their life savings could be redenominated from the familiar Canadian dollar to a new and much weaker currency."

- Kip Beckman

The New Electoral Districts

As of the 12 of June, 1992 the electoral representation commission of Quebec changed the ridings in Quebec in the following ways:

- They maintained the number of ridings at 125.
- They fused 6 ridings on the Island of Montreal and added 3 in the metropolitan region.
- They left 47 riding as they were.
- Changed the boundaries and the number of electors in 62 riding from what they were in 1988
- Maintained the same number of electors, but changed the boundaries in 16 ridings from 1988.

(Over)

Left Ungava as it was for a number of reasons.

HERE'S WHAT AND HOW

On the island of Montreal 6 are merged into 3. They are: Laurier and Dorion become Laurier-Dorion. Westmount and Saint-Louis become Westmount-Saint-Louis. Saint-Henri and Sainte-Anne become (yes, that's it) Saint-Henri-Sainte-Anne.

Ridings that have not changed: Abitibi-Ouest, Acadie, Anjou, Argenteuil, Arthabaska, Beauce-Nord, Beauce-Sud, Bellechasse, Bourassa, Bourget, Brome-Missisquoi, Chambly, Chsplain, Châteauguay, Chicoutimi, Chomedey, Chutes-de-la-Chaudière, Crémazie, Deuz-Montagnes, Fabre, Hochelaga-Maisonneuve, Hull, Iles-de-la-Madeleine, Jacques-Cartier, Jeanne-Mance, Jonquière, LaFontaine, La Pinière, La Prairie, Laval-des-Rapides, Lévis, Marquette, Montmagny-L'Islet, Nicolet-Yamaska, Pointe-aux-Trembles, Pontiac, Richelieu, Richmond, Rosemont, Saint-Hyacinthe, Saint-Laurent, Saint-Maurice, Salaberry-Soulanges, Sauvé, Shefford, Vaudreuil, Viger.

Those whose boundaries have changed but number have not are: Abitibi-Est, Charlevoix, Dubuc, Duplessis, Kamouraska-Témiscuata, Lac-Saint-Jean, Louis-Hébert, Maskinongé, Monmorency, Rivière-du-Loup, Roberval, Rouyn-Noranda-Témiscamingue, Saguenay, Taillon, Trois-Rivières, Ungava.

Therefore if your riding is not listed here it is one of those which has had both its boundaries and numbers changed. Maps are available by calling Elections Commissioner's office (in the blue pages), and further information is available through your local AQ office.

Selected excepts from the July Edition of L'Actualité magazine's "Autopsie d'une séparation" (our translation):

"AUTOPSY OF A SEPARATION"

- Czechs & Slovaks a year and a half later -

by Chrisian Rioux (*l'Actualité* Juillet 1994)

Confronted with four times the unemployment and twice the inflation of the Czechs, the Slovaks suddenly awoke to the fact they occupy the smallest country in Central Europe and one of the most out of date. While the Czech republic -- "the most stable country in Europe" according to *The Economist* -- soared under the leadership of Vaclav Klaus, Slovakia, led until March by the populist Vladimir Meciar, lurched from crisis to crisis. It is as if the independence only served to reveal more starkly the traits of each region without changing the global picture.

But in the smoked-filled restaurants and cafés of Bratislavia, there is no feeling of animosity towards the Czechs. Only a great dispair . . . "Independence is the result of a war between the politicians, says Sonia Cechova, editor of the weekly *Mosty*, which seeks to rebuild the bridges with the Czechs. "No one has the mandate to divide Czechoslovakia, no one even had that question in their [political] program." . . .

[This could be an important piece of foreshadowing for us in Quebec - Ed.]

Its difficult to evaluate the cost of separation in an economy buffeted by crisis and in full transition, says Professor Okali of the Institute for Economic Science in Bratislavia. "There were no reprisals, no great tragedies. But the economic sector of Slovakia, being the weaker, suffered more.

After only a month, trade between the two sides (which represented 27% of Slovak production and 11.5% of Czech) dropped off 30%. It will take a year to return to the normal levels. Federal transfers that had gone to help Slovakia disappeared overnight. As for foreign investment, there was a marked decline in the two-year period of negotiations prior to succession. One estimate is that more than a billion dollars in investment was postponed in the period preceding separation.

The economists speak of a decline in economic activity of 5% for the Czechs and 10% in Slovakia. . . .

A common currency that was to last six months was used only a few weeks. The Czechs never believed in the principle and they began to mark their bank notes in February 1993 to stop speculation which was beginning to be felt mostly on their side. Czech crowns (made right here in Canada) and Slovak crowns then appeared; in July 1993 the Slovak currency was devalued 10%. A Common currency between such different countries would have required "a perfect coordination of fiscal and monetary policies, which was practically impossible," wrote Jeroslav Blaha of the Centre for East European Documentation and Studies in Paris.

[This article is in the current edition of L'Actualité at newsstands now. It should be required reading for all Quebec electors.]

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